

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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TO SECSTATE WASHDC 604

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E.O. 11652: N/A

TAGS: EFIN, ENRG, SZ, SA

SUBJECT: SWISS/SAUDI ARABIAN TRADE AND FINANCIAL RELATIONS

REF: BERN 1626

1. BEGIN UNCLASSIFIED: AT PRESS CONFERENCE APRIL 18 SWISS DIVISION OF COMMERCE DIRECTOR JOLLES AND SWISS NATIONAL BANK (SNB) PRESIDENT LEUTWILER DESCRIBED THEIR JUST-CONCLUDED VISIT TO JIDDA AND RIAD. JOLLES SAID THAT TRADE AND INVESTMENT OPPORTUNITIES AFOR SWISS FIRMS IN DAUDI DEVELOPMENT PLANNING WERE GENERALLY EXPLORED, AND CONTACTS WILL CONTINUE.

2. JOLLES EMPHASIZED TO PRESS THAT OIL WAS NOT DISCUSSED SINCE SWITZERLAND QUITE SATISFIED TO RECEIVE SUPPLIES THROUGH INTERMEDIARY OF INTERNATIONAL COMPANIES AND TO REPLY ON MULTILATERAL APPROACH TO ENERGY QUESTIONS, ALTHOUGH EVENTUALLY OF SOME FORM OF BILATERAL AGREEMENT NEVER ENTIRELY RULED OUT BY SWISS. JOLLES ALSO NOTED THAT YAMANI, WHO HAD VISITED BERN IN DECEMBER, WAS NOT IN SAUDI ARABIA DURING VISIT.

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3. ON MONETARY MATTERS, LEUTWILER SAID SAMA HAD ASSURED SWISS THAT ONLY "INSIGNIFICANT" AMOUNTS OF ITS PETROFUNDS WOULD BE HELD IN SWISS FRANCS. SAMA REPORTEDLY ALSO SHOWED UNDERSTANDING OF SNB CONCERN THAT SF NOT APPRECIATE FURTHER TO ANY CONSIDERABLE EXTENT, AND AGREED CONSULT SNB IN CONNECTION ANY SUBSTANTIAL MOVEMENT OF SHORT-TERM FUNDS INTO SF.

4. JOLLES SAID THAT ASSURANCES HAD ALSO BEEN GIVEN THAT SAUDI ARABIAN FUNDS WOULD NOT BE USED SEEK CONTROL OF SWISS FIRMS. SAUDI PURCHASES OF IBRD AND OTHER BONDS ISSUED ON SWISS CAPITAL MARKET WAS LIKELY IN ORDER MOVE INCREASINGLY INTO INSTRUMENTS OF LONGER MATURITIES. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. IN CONVERSATION WITH EMBOFF APRIL 23, JOLLES SAID HE HAD SUBSTANTIVE CONVERSATIONS WITH VIRTUALLY ALL TOP OFFICIALS WHICH HAD BEEN RECOMMENDED TO HIM BY SENIOR U.S. STATE AND TREASURY DEPARTMENT OFFICIALS WITH EXCEPTION OF PRINCE FAHD AND FOREIGN MINISTER AS WELL AS YAMANI. HE HAD BEEN PARTICULARLY IMPRESSED WITH OFFICIAL IN CHARGE FIVE-YEAR PROGRAM, MINISTER OF STATE FOR FINANCE, AND HEAD OF SAMA.

6. JOLLES SAID MONETARY-RELATED QUESTIONS HAD BEEN ONE OF MAIN REASONS FOR VISIT AND SWISS OBJECTIVES HAD BEEN "FULLY ACHIEVED."

7. FOLLOWING OBSERVATIONS BY JOLLES MAY BE OF INTEREST:
A) IMPRESSED BY ATTITUDE OF SAUDI OFFICIALS TOWARD PRIVATE SECTOR AND MARKET ECONOMY; B) SOMEWHAT SURPRISED BY RELATIVE UNCERTAINTY OF SAUDIS ON HOW TO PROCEED WITH DEVELOPMENT PLANNING AND THEIR REQUESTS FOR CONCRETE PROPOSALS AND SUGGESTIONS OF PRIORITIES FROM OUTSIDERS WHICH THEY THEN COULD CONSIDER; C) STRUCK BY VERY STRONG MARKET POSITION OF US FIRMS AND TO SLIGHTLY LESSER EXTENT JAPANESE, BUT WAS CONVINCED THAT SWISS COULD MAKE CONTRIBUTION. SWISS REPS WERE TOLD THAT POLITICAL-TYPE FORMAL FRAMEWORK AGREEMENT WITH SWITZERLAND NOT NECESSARY;
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SARY; D) NOTED INFLATIONARY EFFECT OF BIDDING UP OF WAGES AND SALARIES BY US CONSTRUCTION CONTRACTORS IN SAUDI ARABIA.
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